

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CASEY COUNTY SHERIFF

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the Casey County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$42,486 from the prior year, resulting in excess fees of \$55,775 as of December 31, 2006. Revenues increased by \$63,776 from the prior year and expenditures increased by \$21,290.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff's Expenditures Should Be Reasonable And Necessary
- The Sheriff Should Accurately Classify All Receipts From His Official Tax Account

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald W. Wright, Casey County Judge/Executive
The Honorable Jerry Coffman, Casey County Sheriff
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Casey County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ronald W. Wright, Casey County Judge/Executive
The Honorable Jerry Coffman, Casey County Sheriff
Members of the Casey County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff's Expenditures Should Be Reasonable And Necessary
- The Sheriff Should Accurately Classify All Receipts From His Official Tax Account

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Casey County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

February 8, 2008

CASEY COUNTY
JERRY COFFMAN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

Federal Grants	\$	13,801	
State - Kentucky Law Enforcement Foundation Program Fund		18,724	
State Fees For Services:			
Finance and Administration Cabinet	\$	5,921	
Judicial Center Security		54,468	
Transporting Prisoners		5,694	
Sheriff Security Service		8,028	74,111
Circuit Court Clerk:			
Fines and Fees Collected			6,190
Fiscal Court			89,122
County Clerk - Delinquent Taxes			522
Commission On Taxes Collected			152,395
Fees Collected For Services:			
Auto Inspections		4,515	
Accident and Police Reports		618	
Serving Papers		10,880	
Carrying Concealed Deadly Weapon Permits		4,245	20,258
Other:			
Tax Add On Fees		16,735	
Advertising Fees and Costs		4,284	
County Portion HB577		5,010	
Transport Patients		6,635	
Miscellaneous		1,237	33,901
Interest Earned			3,853
Borrowed Money:			
State Advancement			50,000
Total Revenues			\$ 462,877

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
 JERRY COFFMAN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Operating Expenditures:

Personnel Services-

Deputies' Salaries	\$	105,026	
Justice Center Security		56,244	
Other Gross Salaries		42,315	
Overtime Gross Salaries		725	
KLEFPF		15,503	
KLEFPF Overtime		63	
		<hr/>	\$ 219,876

Employee Benefits-

Employer's Share KLEFPF Retirement		1,257	
Employer's Share Social Security		4,238	5,495
		<hr/>	

Contracted Services-

Advertising		3,029	
Court Bailiff		2,400	5,429
		<hr/>	

Materials and Supplies-

Office Materials and Supplies		3,804	
Uniforms		415	4,219
		<hr/>	

Auto Expense-

Gasoline		20,506	
Maintenance and Repairs		8,374	28,880
		<hr/>	

Other Charges-

Conventions and Travel		627	
Dues		359	
Bond		271	
Postage		4,191	
Carrying Concealed Deadly Weapons Permits		2,295	
Transport Fugitives		470	
Cellular Phone Plans		2,247	
Utilities		2,949	
County Court HB 577		4,540	
Deputy Training		580	
Miscellaneous		2,155	20,684
		<hr/>	

Debt Service:

State Advancement		<hr/>	50,000
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Total Expenditures		\$	334,583
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Less: Disallowed Expenditures			<hr/> 125
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Total Allowable Expenditures			<hr/> 334,458
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The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
JERRY COFFMAN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Net Revenues	\$ 128,419
Less: Statutory Maximum	<u>69,342</u>
Excess Fees	59,077
Less: Training Incentive Benefit	<u>3,302</u>
Excess Fees Due County for 2006	55,775
Payments to Fiscal Court - December 6, 2006	<u>44,203</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 11,572</u></u>

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent for the first six months and 28.21 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Drug Enforcement Account

Under the terms mandated by the Commonwealth of Kentucky, the Casey County Sheriff receives proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are used exclusively for operating expenditures incurred for law enforcement activities against drug related activities and are not included in excess fees.

As of December 31, 2005, the Sheriff had a balance of \$4,073. Receipts and expenditures for 2006 were \$60,898 and \$9,847, respectively. The balance as of December 31, 2006 was \$55,124.

Note 5. Federal Grant

The Casey County Sheriff received a Community Oriented Policing Services (COPS) grant from the U.S. Department of Justice to fund the salary of one police officer working at Casey County Schools. Funds totaling \$13,801 were received and expended during the year ended December 31, 2006 leaving the balance of the grant at zero. The Sheriff appears to be in compliance with the provisions of this grant.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald W. Wright, Casey County Judge/Executive
The Honorable Jerry Coffman, Casey County Sheriff
Members of the Casey County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Casey County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated February 8, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casey County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Casey County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or another matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff's Expenditures Should Be Reasonable And Necessary
- The Sheriff Should Accurately Classify All Receipts From His Official Tax Account

The Casey County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Casey County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

February 8, 2008

COMMENTS AND RECOMMENDATIONS

CASEY COUNTY
JERRY COFFMAN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

STATE LAWS AND REGULATIONS:

The Sheriff's Expenditures Should Be Reasonable And Necessary

Three instances were found of expenditures that were not reasonable or necessary to the operation of the Sheriff's Office. The Sheriff purchased flowers totaling \$125. Technical Audit Bulletin #93-001, established under the authority of 45 KAR 1:070, requires expenditures to be made only if they are reasonable and necessary to the operation of the Sheriff's office. These expenditures are considered personal in nature and are disallowed since they are not reasonable and necessary for the official operation of the Sheriff's office. Therefore, we recommend that the Sheriff reimburse the fee account \$125.00 from personal funds for the disallowed expenditures. Additionally, we recommend that future expenditures only be made in accordance with Technical Audit Bulletin #93-001.

Sheriff's Response: Will pay the \$125.00 to excess fee account

The Sheriff Should Accurately Classify All Receipts From His Official Tax Account

The Sheriff reported all transfers from his official tax account as commissions on his financial statement. These transfers should be categorized as commissions, add-on fees, advertising fees, and interest. According to KRS 43.075, the official should comply with the requirements of the uniform system of accounts adopted under KRS 68.210. The Sheriff should maintain an accurate record of amount received by source and amount.

Sheriff's Response: Myself, and the bookkeepers, have always tried and will continue to comply and run the sheriff's office to the best of my ability.

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our review of internal controls, we noted the Sheriff's bookkeeper maintains the receipt and disbursements ledgers, collects receipts, prepares the daily checkout sheets, deposits the collections, and remits all payments. The bookkeeper also prepared the monthly bank reconciliations. Good internal controls dictate the same employee should not handle, record, and process financial information. We recommend the Sheriff segregate duties or implement the following compensating controls to offset this internal control weakness.

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should compare the quarterly financial reports to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Sheriff could document this by initialing the quarterly financial report.

CASEY COUNTY
JERRY COFFMAN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2006
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:
(CONTINUED)

The Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.
- Two people, with one being the Sheriff, should sign all checks.
- The Sheriff should examine all checks prepared by another employee and compare to invoices or other supporting documentation. The Sheriff could document this by initialing the invoices.

Sheriff's Response: Have been initialing dailies and receipts

